QUARTERLY REPORT TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE

On

State Plan 2002: Blueprint for Change

Session Law 2001-437

January 1 – March 31, 2003

This is the quarterly report submitted to the Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services (LOC), pursuant to the requirements of Session Law 2001-437. As in previous reports, major developments in implementation of system reform are presented first with the specific report items contained in the statute immediately following. A brief summary of major developments within the quarter is placed at the beginning of the report, and a discussion of problems or barriers to reform is included in the main document on page seven.

System reform continues to move steadily forward. All area programs submitted either full or the specified components of their local business plans as required. Division staff are following up as needed with the communities.

Draft Communication Bulletins were issued during this quarter titled "System Redesign Assumptions to be Operationalized" and "Case Management and Service Management". The Bulletins provide decisions regarding LME functions, entry into the system (uniform portal), assessment, person-centered planning and service delivery, and case management and service management models. Communication Bulletin #006, "Community Hospitals" was distributed on January 16th. Communication #007, "Best Practice – Adult Mental Health" was distributed on February 12th.

The Division reorganization is progressing and is on schedule for implementation for April 1st. Christopher Phillips was selected as head of Advocacy and Customer Relations and began employment on 1/13/03. The team leader positions were posted and most hirings have been completed. The full reorganization document is located on the Department website.

Monies from the Mental Health Trust Fund have been allocated to continue the planning and development of community-based services. Administrative, operational processes and financing recommendations continue by the Technical Assistance Collaborative, Inc, (TAC) and Pareto Solutions, Inc.

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Division Reorganization

The Division continues to develop and implement its reorganization in accordance to the documents submitted to the LOC in the last quarterly report. The final member of the Executive Leadership Team (ELT), Chris Phillips the Chief for Advocacy and Customer Relations, began employment with the Division on January 13th, 2003.

All staff have been notified of their team assignments. Preliminary transfer of assignments and duties is happening.

Local Systems Development

Information and Technical Assistance:
The Division continues to present information on system reform to consumers and families, providers, public and private agencies and other system stakeholders. Throughout the last quarter Division staff made presentations to or attended meetings with numerous organizations.

In collaboration with the County Commissioner's Association, three regional trainings were conducted for county commissioners and county managers. The training provided education for new and existing commissioners regarding the history of reform and guidance for processing the local business plans.

In addition, in conjunction with LOC members, legislative briefings were scheduled for new legislators. Additional meetings were held as requested by legislators. These meetings were to address the questions specific to their legislative districts.

Division Technical Assistance Team:
This group provides assistance to specific area programs as they develop the various components of their local business plans. Technical Assistance staff also help with finding answers to questions about reform or supplying other information needed by area programs/county programs in their planning for implementation.

Local Business Plans

In accordance with the requirements of the reform statute and instructions provided by the Department to counties and area programs, local business plans were submitted to the Department on January 2, 2003.

As discussed in the previous quarterly report, the Executive Leadership Team (ELT) assigned a group of five staff and two consumer/family representatives to review all of the complete Local Business Plan submissions for Phase I implementation. This core group received training and a template to guide the review. Initial plans for Phase I, II, and III, are being assigned to one of five additional teams that will focus on comparing the response in the Local Business Plan to the required element in the template and offering suggestions and/or recommendations for inclusion in the final submission due April 1. Review teams will focus their review and comments on the following:

1. The degree of Consumer and Family Advisory Committee (CFAC) involvement in plan development,
2. Planning - involvement of the community, identification of target populations, the adequacy of the needs assessment, identification of gaps in service,
3. Mission - is the proposed LME mission consistent with the reform and is the mission's theme common throughout the document,
4. Best Practices, Administrative – does management understand the functions of an LME; is there a consolidation plan if required,
5. Best Practices, Clinical – has the area program begun the process of identifying clinical practices to assure the services they offer are the most appropriate.

Services and Programs

Status of ADATC Renovation Projects:
As part of reform, the Alcohol and Drug Abuse Treatment Centers continue to move forward with adding 88 crisis/detox beds. During this report period, each project has realized unanticipated problems that have delayed progress on letting the bid for construction. The Butner construction drawings were completed and sent for final review to the Department of Insurance in January. The Department of Insurance cited an issue with an apparent change in occupancy of the building since its initial construction, which in turn necessitated the application of the current building code. Patsy Christian, Director of Umstead, wrote a letter to DOI in February to clarify the on record use of the space under consideration. This delay has moved the projected approval of the construction bids past the end of March. The application of the current building code will require substantially more renovation at additional unanticipated costs. Property and Construction is working with the architect and DOI to resolve the outstanding issues. The Walter B. Jones design phase has been delayed as a result of the lead architect on the project leaving the firm and a new staff member being assigned to the project. It was reported that if the design drawings could be completed an April construction bid date was possible with a construction start of June. The design was submitted to DOI in March for review. The JFK design phase was completed in January and the architectural transition drawings were submitted to the Division of Facilities Services for review. There is one major issue to be resolved relative to the water pressure at the facility. The City of Asheville, the provider of utilities for the institution, must verify that there is sufficient water pressure to operate a sprinkler system before the construction can be approved. An engineer was hired to conduct the modeling necessary to receive approval for the project to begin construction in summer of 03.

Expansion of Community Capacity and Hospital Downsizing Activities

Mentally Ill and Elderly Individuals:
Local programs have begun to develop and/or expand the services which will meet the needs of adults and elderly adults with mental illness on community re-entry. These services, which were previously identified in plans submitted by each local program, address the unique needs of each

area taking into account hospital units to be downsized and existing services and resources in the community. Hospital and local program staff are working with individuals and families to develop community re-entry plans that assure that each individual receives appropriate services and supports in the community.

Funding to Support Expansion of Community Capacity:
To date, thirty-four (34) of the thirty-eight (38) area programs have received allocations to increase community capacity by expanding or developing needed services. As stated above, local programs are currently using these bridge/start-up funds to develop the services through contracting with community providers or hiring staff to provide the services. While each local program developed plans that met its unique needs, some services were identified by several programs, including Assertive Community Treatment Teams, housing supports, expanded day programming, and dedicated liaisons to assist with planning and support for individuals returning to the community from hospital units being downsized. Bridge/start-up funding from the Mental Health Trust Fund totaling $3.5 million has been allocated this fiscal year. This amount will increase as allocations are made to the three remaining area programs. The new services and supports that are being developed will be supported in future years through the transfer of funds from the hospitals as patients are moved to the community and hospital beds are closed.

Individual Plans and Monitoring of Satisfactory Community Re-entry:
Hospital and local program staff, along with the individual and family, are developing re-entry plans for each person returning to the community from hospital units being downsized. Each plan takes into account the individual's needs and preferences and ensures that appropriate services are in place prior to discharge. Each plan is approved by the State prior to discharge. In addition to review of re-entry plans, the Division is monitoring satisfactory re-entry through contacts and visits to local programs, review of consumer outcomes, and review of monthly summaries of services used by each individual discharged from a hospital unit being downsized.

Enhanced Behavioral Care in Nursing Facilities:
In February, the Division issued a Request for Application for an enhanced behavioral health level of care in nursing facilities. One application was submitted by the March 14, 2003 deadline. An evaluation team is currently reviewing the application.

ASAM Service Continuum:
A special crisis/detox initiative is being piloted through the Catawba Area Program to expand levels of detoxification capacity in the Western Region. Catawba will triage referrals and purchase detox bed days for Catawba and Crossroads consumers in facilities operated by Foothills, New River, Frye Regional Hospital, and Catawba Memorial Hospital. The pilot will be evaluated at the end of this fiscal year and possibly expanded based on the results.

Prevention Services Reflecting Best Practice:
A menu of evidence-based practices has been researched and submitted to the Center for Substance Abuse Prevention (CSAP) for review. The State has been assigned a new project officer for the Substance Abuse Prevention and Treatment Block Grant (SAPTBG). After that staff transition is fully achieved, NC will expect some movement on the review of the menu.

A group of prevention experts have met to review key elements needed for an outcomes-based system. Since the federal government will be approving "core performance measures" to be included in the Block Grant, this process is on hold so that the NC system is consistent with federal requirements.

The rules commission has approved the language for the "Qualified Substance Abuse Prevention Professional."

Olmstead Plan:
All residents of the State hospitals and mental retardation centers have been assessed to determine their needs for community based services. Person-Centered Plans identifying needed resources are in place or being developed for each individual. As needed resources become available, individuals are placed within community and followed up to assure that both natural and specialty supports identified in each person's plan are indeed meeting the individual's needs. As reported earlier, monies from the Mental Health Trust Fund have been allocated to selected areas for community services development.

Administration and Infrastructure

Service Definitions:
As reported in the previous report, a revised manual was distributed that collected all service definitions currently used for billing MH/DD/SA services (Medicaid and Non Medicaid) in order to have all services collected in one place for IPRS billing purposes. The group has also compiled a list of those areas where actual content needs to be updated or changed. The Technical Assistance Collaborative, Inc, (TAC) and Pareto Solutions, Inc can now integrate this consolidation effectively into the work currently underway.

The Division, along with DMA and the Controller's Office under the project management of TAC have been working to revise the existing Medicaid definitions to reflect best practices. The adult mental health best practice communication distributed on February 12th was the foundation in preparing the service definitions for adult mental health services. A partial list of draft definitions will be distributed at the April stakeholder meeting for their review and comment.

In addition to the above, draft communications describing the uniform portal functions and more clarity regarding the LME's role in the service management and case management were distributed for discussion. The external stakeholder group will review the flow chart proposed uniform portal/access system and the beginning of draft definitions for new services.

The Division continues to work with Robin Cooper, national consultant on HCB waivers, on potential changes in the CAP/MR-DD waiver. CAP/MR-DD waiver activities are being coordinated between Ms. Cooper and TAC, Inc.

Financing:
The Division is continuing its work with the Technical Assistance Collaborative, Inc (TAC) and Pareto Solutions, Inc., to develop (a) recommended changes in system financing, and, (b)

development of both LME and service cost models. The LME cost modeling has been completed and was distributed to area programs and county managers for review. Five training sessions were conducted for the target groups of state staff, providers, area programs, county managers/commissioners and families/consumers in order to explain the methodology of the cost model and to answer questions. Final review is scheduled by the area programs and counties in the next quarter.

Other administrative processes, including products developed last year by state work groups, are also under review by (TAC) and Pareto Solutions, Inc., in order to assure that operational practices and financial models are consistent with each other and that any possible unintended consequences are identified.

Mental Health Trust Fund:
The Mental Health Trust Fund continues to be used to assist in reform and community expansion. As of March 31st, $14,556,785 has been used for the following: bridge funding to area programs associated with hospital downsizing, hospital replacement planning, funding to area programs/counties for IPRS conversion and Local Business Plan development, Olmstead planning assessments and oversight, training regarding reform and consultant contracts.

Integrated Payment and Reporting System:
During the months of January through March 2003, eight additional area programs went into production. The area programs were:

- Southeastern Regional in January
- Tideland in February
- Blue Ridge, Cumberland, Catawba, Davidson, Onslow and Piedmont in March

This brings the total number of area programs in production to 21. In January, Neuse requested to move from Phase III to Phase IV. In February, Mecklenburg requested to move from Phase II to Phase III. With the move of Mecklenburg to Phase III, all area programs in both Phase I and II are now implemented.

As the number of area programs in production has increased, so have the number of claims processed. In January, 194,000 claims were processed and 164,000 were finalized for total pay out of $9,339,040. The highest denial rate was for Explanation of Benefits EOB 8599 Detail Not Covered by Combination of Recipient, Provider and Benefit Package. In February, 252,825 claims were processed and 243,057 were finalized for total pay out of $13,604,153. The highest denial rate was again for EOB 8599 Detail Not Covered by Combination of Recipient, Provider and Benefit Package. In March, 131,957 claims were processed and 97,166 were finalized for total pay out of $21,889,963.66. The highest denial rate was for EOB 8505 Deny/Re-Entered Due To Insufficient Budget, although there were still a substantial number of EOB 8599 denials. Area programs in Phase I and Phase II are beginning to see the number of denials decrease, particularly EOB 8599 denials. Fiscal Year to date, IPRS has paid out $62,530,340.36.

Decision Support System (DSIS):
The Division of Mental Health Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) continues to participate in the Decision Support Data Warehouse Project with

monthly data loads from the Division's Client Data Warehouse (CDW) to the Departmental Decision Support Information System Warehouse (DSISW). As of 03/31/03 the DMH/DD/SAS comprised approximately 8% of the DSISW business area space usage.

Priority requests (logged as priority 1 or 2) that were identified during this quarter and are listed on the Report of DSISW Requests, Changes and Enhancements include the following:
(1) Load the Consumer Satisfaction Data.
(2) Load the IPRS Eligibility Data.
(3) Load the NC TOPPS Data.

The Division of Mental Health, Developmental Disabilities and Substance Abuse Services has secured training slots for training sessions to be held in April and May of 2003. The local Area Mental Health Program staff will primarily utilize these slots.

Barriers to System Reform

This section of the report will identify barriers that affect the implementation of mental health reform. The identified barriers will be addressed in the upcoming quarter and progress updates and/or new items will be added in subsequent reports. This is not intended to be a conclusive list.

1. There is a high volume of rules, regulations and general statutes. This large number of rules/statutes impedes implementation due to the time constraints of reviewing and exploring their impact on system reform and the lengthy administrative process of formal change.

   Update
   This continues to be an area that requires attention. Rules, statutes and policies are being reviewed as decisions are made regarding the various aspects of reform.

2. Current financing structures impede local ability to move funding to appropriate categories. Many dollars are appropriated or allocated for specific categories, thereby preventing or obstructing their use for more general program costs. The Division is requesting that MR/MI and CTSP appropriations be allocated to the overall child mental health and child/adult developmental disabilities budgets as a first step. With the implementation of IPRS and target populations, the necessary safeguards will be in place to assure the ongoing funding of services to these consumers while also allowing for more flexibility to meet community needs.

   Update
   Since the budget and appropriations discussions continue, this status report reflects the latest discussions. As of the date of this report, the Appropriations Committee did not agree with the request to collapse CTSP funding into the overall Child Mental Health funding. MR/MI funding however has been integrated into the DD Adult funding. Other categories remain intact.

The Division has submitted a draft special provision to allow the Secretary to pilot a more integrated funding approach. This funding approach is intended to provide the ability to do more global budgeting and to address the county's contribution to Medicaid and the use of the local funding.

3. Current cost finding and cost settlement procedures do not reflect the new financing strategies. The Division is fully dedicated to funding accountability; however, the methodologies used should result in useful, accurate information.
   Update
   The Department Finance team continues to work on the methodology. This team is comprised of representation from the Controller's Office and DMA.

4. Statutory changes will be required regarding confidentiality to reflect changes in HIPPA, IPRS implementation and the acknowledgement of county programs in the statutes where confidentiality is cited.

   Update
   Legislation has been presented to address confidentiality.

5. Local business plans submitted by some Phase I programs have identified ways to enhance reform implementation. Before moving forward with statewide implementation on their ideas, piloting will need to occur. Legislation to pilot alternatives to existing statutes/rules will be introduced. The request will be limited to specific areas, identify the specific rule/statute and will include appropriate safeguards.

   Update
   Legislation was requested regarding 1st level commitment evaluations and funding integration. Final results are pending.

6. Due to implementation demands request is made to submit written reports every six months. Given the close relationship with the LOC staff and the verbal report given to the LOC at each regular meeting, communication about system reform progress will be adequate.

   Update
   No action was taken to change the reporting timelines or requirements. Legislation was introduced that required any legislative reports regarding MH/DD/SAS to also be sent to the LOC. This will assure that the members of the LOC are aware of other legislative action that may impact mental health reform.

Session Law 2001-437, Section 3 Reporting Requirements

Pursuant to the requirements of Section 3,(a), the status of remaining items listed in Section 3,(a),1-9 are:

Section 3,(a),(3), Oversight and Monitoring Functions:

As the first step, monitoring protocols and tools are being developed collaboratively with all stakeholders, and rules for implementation are expected to be developed for phase in implementation beginning in July 2003. This is not to be construed as the comprehensive monitoring plan or a replacement for the quality improvement/management activities referenced in the state plan but only as a first step.

Additionally, pursuant to SB163, area authorities or county programs are responsible for monitoring the provision of Mental Health, Developmental Disability and Substance Abuse Services for compliance with the law in cooperation with the Department. These activities are part of a spectrum of quality assurance activities. Monitoring protocols are under development along with other aspects of a systemwide quality management program. These functions are part of the overall project managed by the Department for SB163.

The Department did meet the April 1st reporting requirement for SB 163. This report outlines steps taken for implementation of SB 163 that includes rule drafting and tracking requirements. The report was distributed to required Legislative Committees and can be downloaded from the Division of Mental Health web page. As recommended in the report, legislation has been introduced that addresses both technical changes to the bill as well as barriers identified as part of the implementation process. The introduced legislation is SB 926.

Section 3(a),(4), Service Standards, Outcomes, and Financing Formula:

As noted earlier in this report, these items remain under study and development by TAC and Pareto Solutions, Inc.

Section 3,(a),(8) Consolidation Plan, Letters of Intent:

As noted in the last quarterly report, all letters of intent were submitted timely. A report on the number of voluntary consolidations will be submitted to the Secretary and the LOC by July 1. 2003. A further progress report will be included in the July 2004 State Plan Revision. If the remaining number of area/county programs exceeds 20, the Secretary will submit a consolidation plan as required by the MH Reform Legislation.

Section 3,(a),(9), Submission of Local Business Plans:

As reported earlier in this report all area/county programs have submitted partial or full local business plans depending on their respective phase-in schedule. Three area programs requested extensions for the final April submission. The extensions were requested on behalf of the county commissioners or the CFAC (Consumer/Family Advisory Committee) in order that they have more time to review the business plans. The requests were honored. Alternative due dates were established for June 1, 2003.